

Stopping Refund Crimes One Bad Return at a Time

IRS Criminal Investigation
Office of Refund Crimes

June 28, 2005



Overview

- Definition of Refund Crimes
- Trends in filing fraudulent returns
- Tips to improve your office's internal fraud controls
 - What to do if you suspect fraud
- CI's strategy to deal with schemes
 - Private sector fraud controls



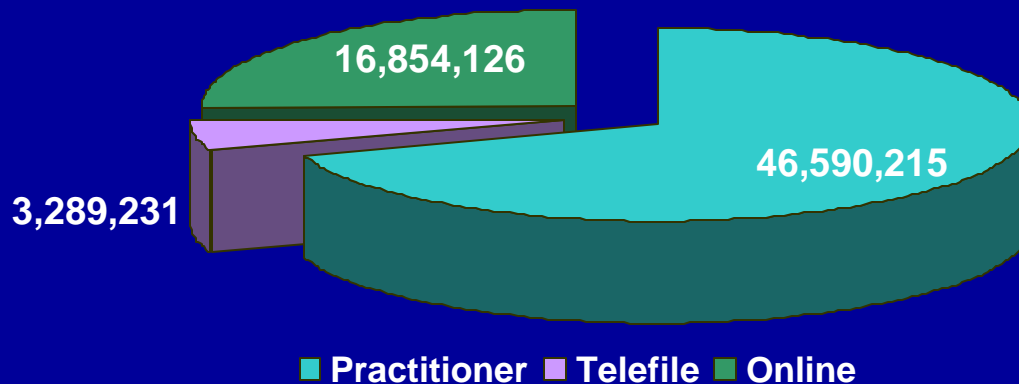
Fraudulent e-file Returns

- Total e-filed Returns for 2005 Up 10.8 %
- Fraudulent Return Ratios
 - 1 in 4789 (Jun-00)
 - 1 in 3185 (Jun-01)
 - 1 in 2381 (Jun-02)
 - 1 in 1174 (Jun-03)
 - 1 in 1204 (Jun-04)
 - 1 in 1064 (Jun-05)

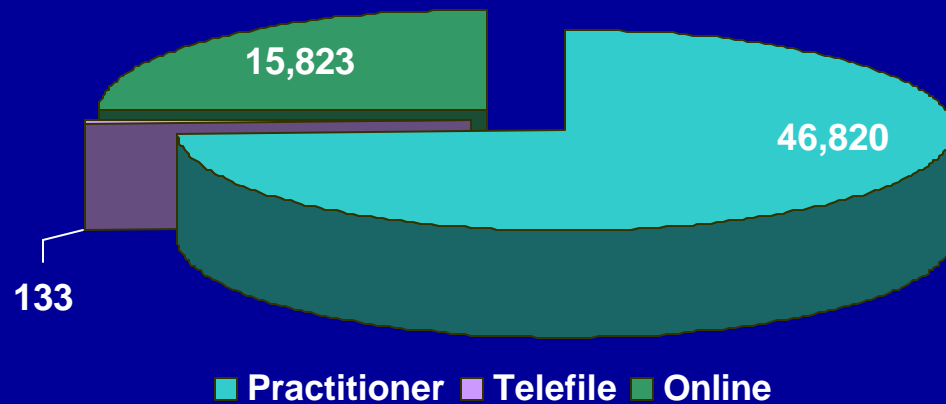
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e-file Return Totals

66,800,709 e-file Returns Filed



62,776 False e-file Returns Filed



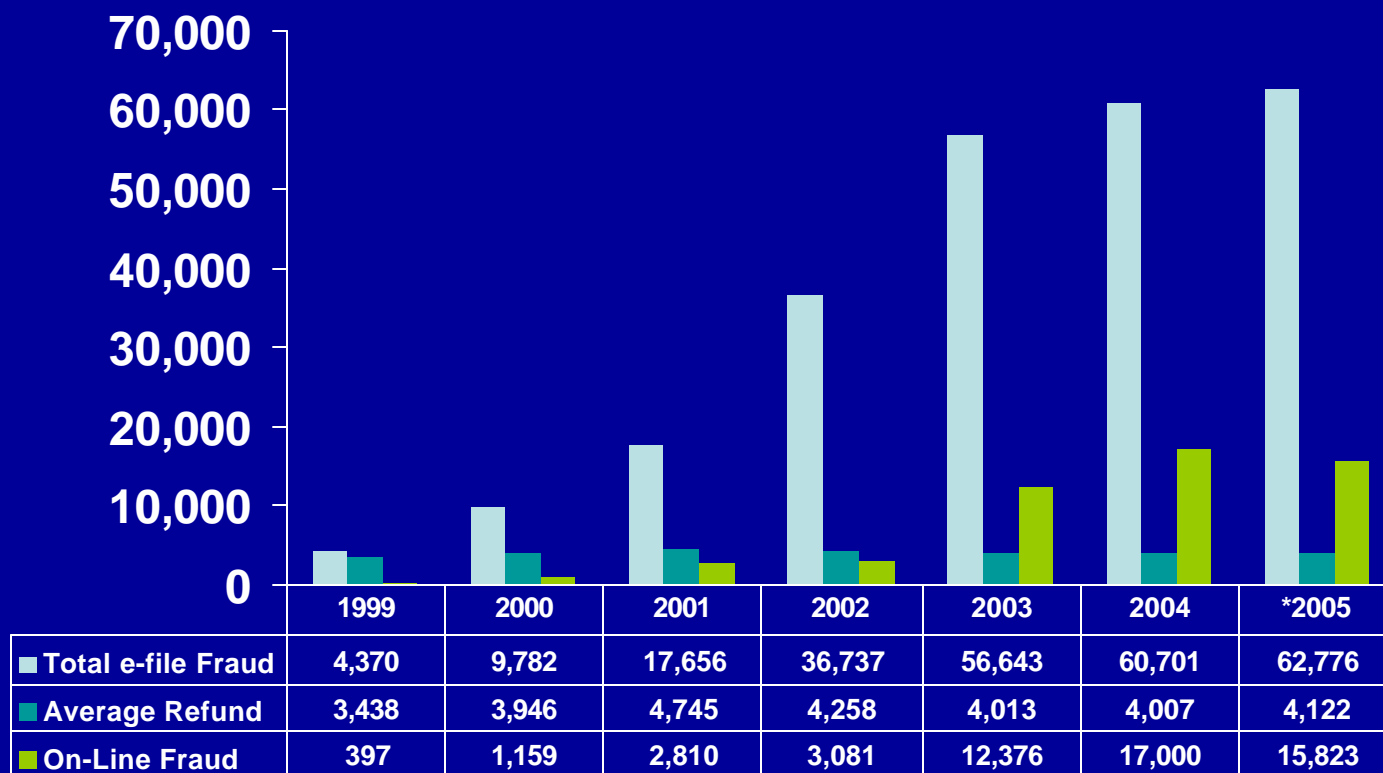
* June 14, 2005 Figures

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Top 25 States for False e-file Returns

- | | |
|------------------|--------------------|
| 1. California | 14. North Carolina |
| 2. New York | 15. South Carolina |
| 3. Florida | 16. Mississippi |
| 4. Georgia | 17. Maryland |
| 5. Texas | 18. Nevada |
| 6. Illinois | 19. Virginia |
| 7. Tennessee | 20. Indiana |
| 8. Alabama | 21. Washington |
| 9. New Jersey | 22. Arizona |
| 10. Michigan | 23. Oklahoma |
| 11. Louisiana | 24. Missouri |
| 12. Ohio | 25. Minnesota |
| 13. Pennsylvania | |

False e-file Returns

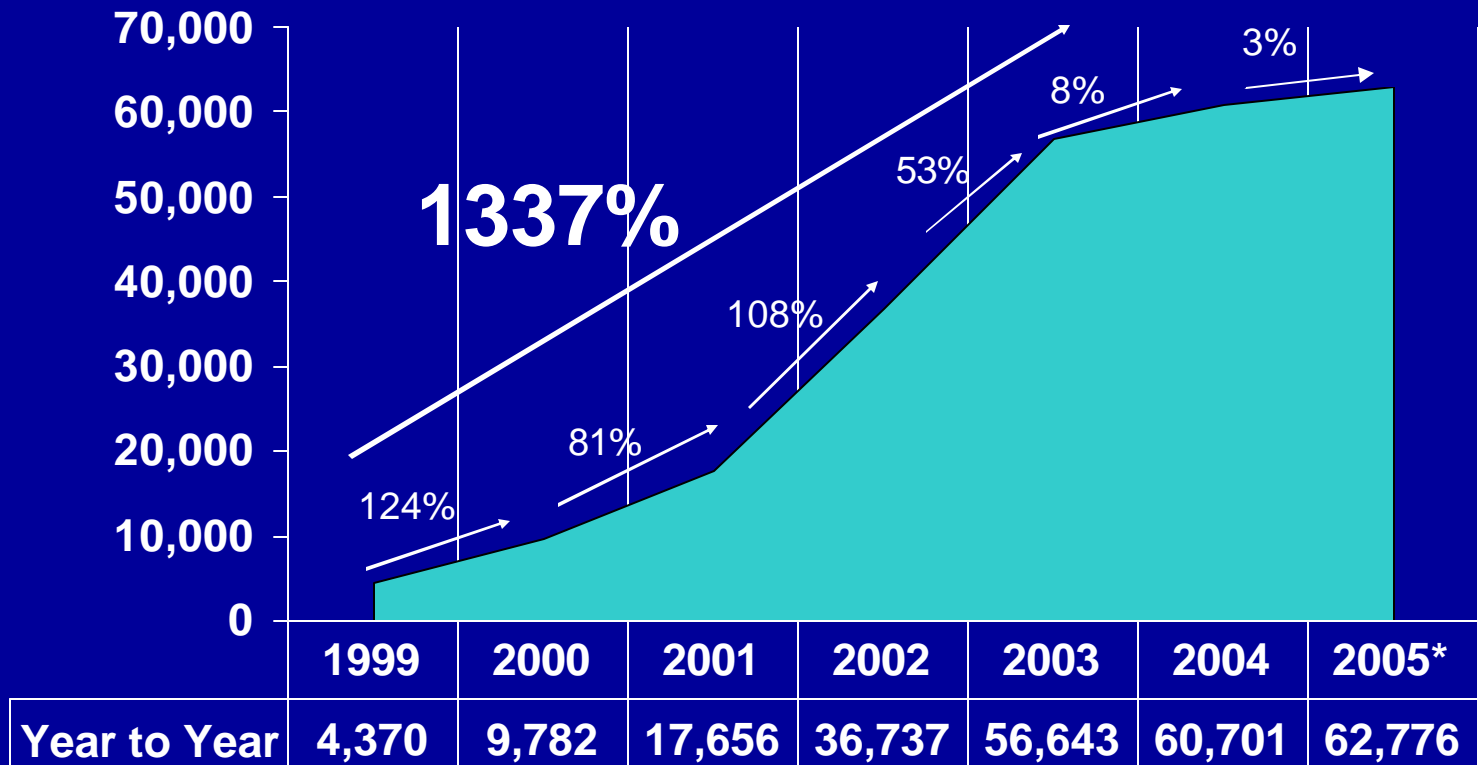


* Volume as of June 14, 2005

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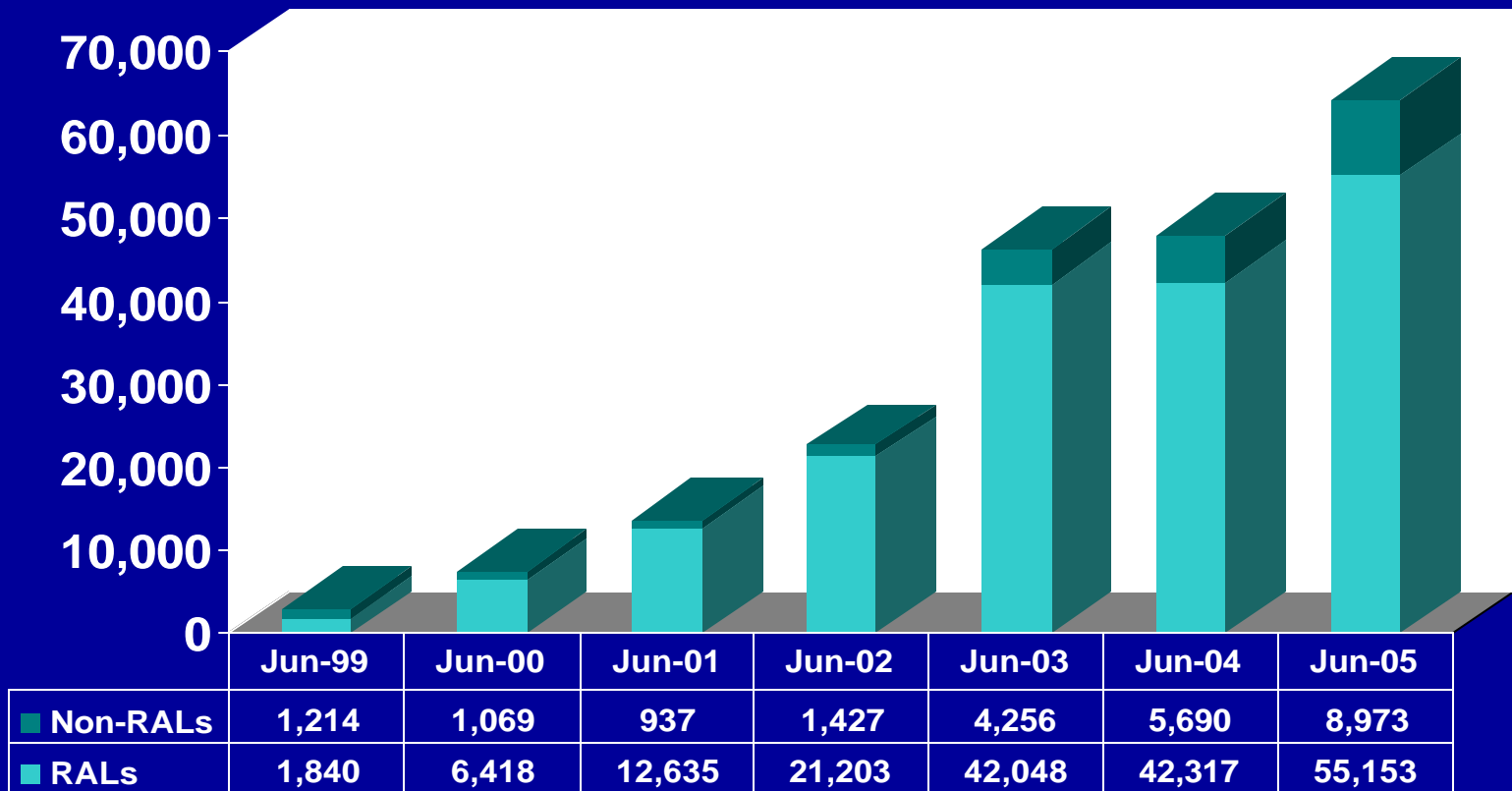
False e-file Returns



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False e-file Returns with RALs



Identity Theft

- Occurs when someone uses your personal information without your permission to commit fraud or other crimes
- In the context of tax crimes, Title 18 U.S.C 1028 may be applied when a defendant steals another person's identity for the purpose of falsely representing their identity to the IRS.



Warning Signs: Possible Fraud

- Typed, handwritten or duplicated W-2s
- W-2s with noticeable corrections
- W-2s that differ in style from same employer
- Suspicious people accompanying the filer and observed on prior occasions
- Multiple refunds sent to same address or bank account
- Little or no documentation of income that qualifies taxpayer for refundable credits
- Returns containing similar figures for wages and withholdings
- Income not sufficient to cover claimed expenses



Private Sector Fraud Controls

- Fraud controls need to be improved
- Leads sent to IRS
 - E-Mail: **HQ-ORF@CI.IRS.GOV**
 - Database transmission preferred
 - FAX potentially fraudulent W-2's to the Fraud Detection Centers (FDCs)
 - Fraud Referral Hotline
 - 1-800-829-0433

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Schemes Identified from Private Sector Leads

- 2005 Filing Season (As of 6/14/05)
 - 7,487 referrals
 - Refunds in excess of \$20,000,000 for these verified fraudulent returns
 - Refunds totaling approximately \$237,000,000 for schemes that included these returns

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Enforcement Activities

- CI Emphasis Areas
 - Questionable Refund Program
 - Abusive Return Preparer Program
- Fraud Detection Centers

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Questions?

- www.irs.gov
- IRS Keyword: Fraud

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